

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05

TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03 CIAE-00

COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 PA-01 /095 W

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R 270840Z APR 78

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 6419

USDOC WASHDC

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E.O. 11652: N/A

TAGS: ETRD, YO

SUBJECT: AMBASSADOR'S MEETING WITH FOREIGN TRADE SECRETARY

LUDVIGER: U.S.-YUGOSLAV TRADE RELATIONS

SUMMARY: FOREIGN TRADE SECRETARY LUDVIGER REQUESTED MEETING WITH AMBASSADOR APRIL 26 TO REVIEW STATUS OF BILATERAL TRADE AND ECONOMIC RELATIONS. WHILE TWO-WAY TRADE HAS INCREASED BY 20 PERCENT IN THE FIRST QUARTER, YUGOSLAVA ARE CONCERNED ABOUT DECLINE IN EXPORTS UNDER GSP AND U.S. EFFORTS TO LIMIT EXPORTS OF READY-MADE MEN'S SUITS. END SUMMARY.

1. LUDVIGER NOTED POSITIVE TREND IN YUGOSLAV TRADE WITH U.S. THIS YEAR AND PROVIDED FOLLOWING FIRST QUARTER FIGURES WHICH SHOW CLOSE TO 20 PERCENT INCREASE OVER COMPARABLE PERIOD LAST YEAR AND SLIGHT IMPROVEMENT IN EXPORT-IMPORT RATIO. HE EXPRESSED PARTICULAR SATISFACTION THAT EXPORTS HAVE INCREASED AT HIGHER RATE THAN IMPORTS, AND STATED THAT IF PRESENT TREND CONTINUES TWO-WAY TRADE APPEARS HEADED FOR HIGHEST LEVEL IN HISTORY, POSSIBLY REACHING LEVEL OF 1 BILLION DOLLARS.

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FIRST QUARTER U.S.-YUGOSLAV TRADE
IN MILLION U.S. DOLLARS

1977 1978 PERCENT INCREASE

TOTAL TURNOVER 198.8 237.7 19.5

EXPORTS TO U.S. 76.9 92.7 20.5

IMPORTS FROM U.S. 121.9 145.0 18.9

DEFICIT 45.0 52.3 16.2

IMPORTS COVERED BY EXPORTS
(IN PERCENTAGES)

U.S.	63.1	63.9
EC	46.7	38.9
YUGOSLAV AVERAGE	57.5	54.6

2. LUDVIGER EMPHASIZED THAT POLITICAL RELATIONSHIP BETWEEN OUR TWO COUNTRIES FOLLOWING RECENT TOP LEVEL VISITS IS HIGHLY FAVORABLE TO EXPANSION OF BILATERAL TRADE AND ECONOMIC COOPERATION. HE COMMENTED BRIEFLY ON YUGOSLAVIA'S CONTINUING DIFFICULTIES WITH THE EC (NOTE DETERIORATION IN EXPORT-IMPORT RATIO IN FIRST QUARTER FIGURES) AND STATED CLEARLY THAT YUGOSLAVIA WILL BUY WHERE THEY HAVE LEAST TRADE PROBLEMS. TOTAL YUGOSLAV EQUIPMENT PURCHASES AMOUNT TO 2.4 BILLION DOLLARS, LUDVIGER NOTED, AND THEY HAVE INFORMED WEST EUROPEANS THEY WILL GO TO OTHER SOURCES FOR MODERN TECHNOLOGY THEY NEED.

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3. LUDVIGER TOLD AMBASSADOR YUGOSLAVS APPRECIATE EMBASSY EFFORTS, SUCH AS RECENT MARKETING SEMINAR, TO FURTHER TRADE AND ECONOMIC RELATIONS AND STRESSED IMPORTANCE OF SENIOR USG REPRESENTATION AT JUNE MEETING OF U.S.-YUGOSLAV ECONOMIC COUNCIL IN DUBROVNIK. HE CITED UTILITY OF MIXED COMMISSIONS IN PROVIDING FORUM FOR REGULAR EXCHANGE OF VIEWS AND RESOLUTION OF PROBLEMS AT SENIOR GOVERNMENT LEVEL. AMBASSADOR EXPLAINED OUR THINKING BEHIND ESTABLISHMENT OF JOINT ECONOMIC WORKING

GROUPS DURING TITO VISIT, AND EXPRESSED HOPE THAT THEY
COULD BE ORGANIZED I NEAR FUTURE AND HOLD INITIAL MEETING THIS
FALL.

4. LUDVIGER THEN RAISED QUESTION OF GSP AND NOTED THAT
LEVEL OF YUGOSLAV EXPORTS BENEFITTING FROM PREFERENTIAL
TREATMENT HAS BEEN DECLINING, DROPPING FROM 187 MILLION DOLLARS
IN 1976 TO 154 MILLION DOLLARS IN 1977. IN VIEW OF
CONTINUING DEFICIT IN TRADE WITH U.S., HE SAID, THERE IS
CONCERN THAT THE LEVEL OF SUCH EXPORTS MAY DROP EVEN
FURTHER IN 1978.

5. LUDVIGER EXPRESSED PARTICULAR CONCERN OVER U.S. EFFORTS TO
LIMIT YUGOSLAV EXPORTS OF READY-MADE MEN'S SUITS. WHILE
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ACKNOWLEDGING THAT SUCH EXPORTS HAD INCREASED, HE
STATED THAT ACCORDING TO THEIR FIGURES YUGOSLAV EXPORTS ACCOUNT
FOR ONLY 1 PERCENT OF TOTAL U.S. IMPORTS OF READY-MADE MEN'S
SUITS. HE POINTED OUT THAT UNDER BILATERAL AGREEMENT WHICH
EXPIRED IN 1976, YUGOSLAVIA HAD RECEIVED QUOTA OF 3 PERCENT OF
TOTAL U.S. IMPORTS AND THAT SINCE THIS LEVEL HAD IN FACT
NOT BEEN ATTAINED U.S. HAD INDICATED NO NOW AGREEMENT
ON QUOTA FOR THIS CATEGORY WOULD BE NECESSARY. NOW, WITH
YUGOSLAVIA SUPPLYING ONLY 1 PERCENT OF TOTAL IMPORTS, U.S.
IS CONCERNED AND APPARENTLY WANTS TO LIMIT FURTHER
EXPORT GROWTH. LUDVIGER ALSO POINTED OUT THAT AGAINST
TOTAL YUGOSLAV TEXTILE EXPORTS TO U.S. IN 1977 OF 25.4
MILLION DOLLARS (OF WHICH READY-MADE SUITS WERE ONLY 2.1
MILLION DOLLARS), YUGOSLAVIA PURCHASED 13 MILLION DOLLARS
IN TEXTILE EQUIPMENT AND 5 MILLION I TEXTILE INDUSTRY PRODUCTS
FROM THE U.S. THIS SUBJECT WILL BE ADDRESSED IN SEPTEL FROM
AMBASSADOR.

6. IN CLOSING, LUDVIGER NOTED HE WILL LEAVE OFFICE MAY 16
AND PROBABLY ASSUME POSITION IN CROATIAN GOVERNMENT (WE HAVE
HEARD HE WILL BE RESPONSIBLE FOR INTERNATIONAL ECONOMIC
RELATIONS). HIS REPLACEMENT WILL BE METOD ROTAR, PRESENTLY
PRESIDENT AND GENERAL MANAGER OF LJUBLJANSKA BANKA.
EAGLEBURGER

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